

Memorandum

Date:

OCT | 1 2001

TO

The Commission

Todd Stevenson, Acting Secretary

FROM

Michael S. Solender, General Counsel 1995

Stephen Lemberg, Assistant General Counsel

Patricia M. Pollitzer, Attorney, OGC MP

SUBJECT: Comments on petition CP 01-01 for product registration cards

Several comments responding to the petition by the Consumer Federation of America ("CFA") discussed the Commission's legal authority to issue a rule requiring product registration cards as requested in the petition. This memorandum discusses this issue.

The Toy Industry Association ("TIA"), the National Retail Federation ("NRF"), the International Mass Retail Association ("IMRA"), and the American Apparel & Footwear Association ("AAFA") questioned the Commission's legal authority to issue the kind of product registration rule the petition requests. The Office of the General Counsel ("OGC") has said that the Commission has authority to issue such a rule under section 16(b) of the Consumer Product Safety Act ("CPSA"), 15 U.S.C. § 2065(b). That section provides:

Every person who is a manufacturer, private labeler, or distributor of a consumer product shall establish and maintain such records, make such reports, and provide such information as the Commission may, by rule, reasonably require for the purposes of implementing this Act, or to determine compliance with rules or orders prescribed under this Act.

15 U.S.C. § 2065(b). RTF and IMRA argue that section 16(b) does not authorize the Commission to impose product registration requirements on retailers because they are not listed in section 16(b). TIA, NRF, and AAFA argue more broadly that the Commission lacks authority to issue product registration card requirements for others as well. TIA and IMRA also argue that the Commission must, or at least should, comply with the procedural requirements that section 9 requires for a consumer product safety rule (e.g., findings concerning costs and benefits of the rule).

CPSC Holline: 1-800-638-CPSC(2772) * CPSC's Web Site: http://www.cpsc.gov

CPSA 6 (b)(1) Cleared

Foducts Identified

OGC agrees with NRF and IMRA that section 16(b) does not authorize the Commission to impose recordkeeping requirements on retailers. That section expressly applies to manufacturers, private labelers, and distributors. OGC does believe, however, that section 16(b) authorizes the Commission to issue a rule requiring that manufacturers, private labelers and distributors comply with product registration card requirements. TIA, NRF and AAFA correctly note that when Congress enacted the CPSA it rejected a provision in the Senate bill that expressly authorized the Commission to establish procedures for manufacturers or importers to secure and maintain names and addresses of first purchasers. Congress instead accepted the broader language from the House bill that became section 16(b) of the CPSA. However, acceptance of the House language did not mean Congress wanted to prohibit the Commission from requiring the collection of purchaser information. Rather, the Conferees accepted the broader House language because it included the authority to issue requirements for purchaser information as well as other recordkeeping requirements. Senator Moss explained this approach in the Statement of Senate Conferees as follows:

The House amendment did not contain a specific provision relating to the maintenance of the names and addresses of first purchasers. However, in section 16(d) [now 16(b) of the CPSA] of the House amendment, which was accepted by the committee of conference, the Commission is authorized to require any manufacturer, private labeler, or distributor – but not retailer – to establish and maintain such records as may be reasonably required for the purpose of implementing the act. Therefore, there is authority to require the maintenance of the names and

Congressional Record (Oct. 14, 1972, S 18199) (emphasis added). Notably, Congress did not accept the limitations specified in the Senate bill concerning the need for the Commission to weigh costs and benefits before requiring the maintenance of purchasers' names and addresses. Congress instead adopted broader language that authorized the Commission to require the collection of such information, as well as other recordkeeping requirements, without mandating that the Commission make specific findings before it can issue a section 16(b) rule. A rule under section 16(b) is not a consumer product safety rule, and the Commission is not required to comply with section 9's procedures for consumer product safety rules before it issues a rule under section 16(b).



Memorandum

Date:

October 11, 2001

TO

The Commission

THROUGH:

Todd Stevenson, Acting Secretary

Michael Solender, General Counsel

Caroline Croft, Executive Director

FROM

Alan H. Schoem

Assistant Executive Director, Office of Compliance

SUBJECT:

Product Safety Owner Card Proposal

By memorandum dated June 19, 2001, the Compliance staff sent the Commission a briefing package in which we recommended that the Commission publish an ANPR seeking comment on a program that would require certain products to be accompanied by owner registration cards. The reason for our recommendation was to improve the ability of recalling firms to notify directly consumers who had purchased a recalled product. Through this memorandum we are providing the Commission with supplemental information for its use in deciding whether to proceed with an ANPR.

CFA Petition

On June 21, 2031, the Consumer Federation of America petitioned the CPSC to issue a rule that would require product registration cards for every product intended for children. In a separate memorandum dated October 11, 2001 (Attachment A), we analyze the comments on the petition. If the Commission proceeds with an ANPR recommended by the staff, that action would make the petition filed by CFA moot and the Commission could subsequently grant or deny the CFA petition. As the Office of General Counsel has previously advised the Commission, in granting a petition for rulemaking, the Commission is not agreeing to the specific action requested by a petitioner. It only is agreeing to start a rulemaking proceeding. We are not asking the Commission to grant or deny the petition at this time. Rather, we are sending the Commission the information on the comments submitted in response to the petition for its information in considering the staff's recommendation that the Commission publish an ANPR.

Products Covered by ANPR

In our June briefing package, we recommend that the Commission consider requiring owner cards for juvenile products and counter top appliances. However, because we are recommending using an ANPR rather than going directly to a notice of proposed rulemaking, the draft *Federal Register* notice seeks comments "on the general concept of purchaser identification

NOTE: This document has not been

reviewed or accepted by the Commission.

Dail Occident CPSC Hotline: 1-800-638-CPSC(2772) * CPSC's Web Site: http://www.cpsc.gov

Products Identified

Excepted by

CPSA 6 (b)(1) Cleared

cards, the category of consumer products that should be included, and the mechanics of such a system, including potential costs." We suggest adding language to page 20 of the Federal Register notice asking for comment on whether the cards should be used only for products costing more than a specified amount and, if so, what that amount should be. We also recommend modifying the Federal Register notice to instruct commenters to support any cost statements they make with supporting data.

The more specific the Commission is in any ANPR, the more specific the comments are likely to be. Thus, we recommend that the Commission clarify the type of products it has in mind if it uses the term juvenile products. For example, we intended that term to include products such as strollers, playyards/playpens, infant carriers, car seat carriers, cribs, dressers, walkers, stationary or alternative walkers, jumpers, high chairs and the like. Similarly, when we referred to counter top appliances, we intended to include products such as toasters, toaster ovens, blenders, food processors, coffee makers, and the like. Again, because we are recommending an ANPR, the draft notice asks for comments on the types of products that should be included.

Owner Card Pilot Program

Toro and Mattel conducted a pilot program using a card designed with CPSC. We have received the following information from Toro and Mattel.

Toro used four (4) different cards with two models of leaf blowers. It tabulated its results as of June 30, 2001. Model 51587 was produced in July and August 2000. Model 51586 was produced from September through November 2000. Thus, Model 51587 has a one year sales history and Model 51586 has a 7-9 month sales history.

Toro used the following cards in its pilot program.

Card A ----- Standard card with market research questions; customer pays postage

Card B ----- Card A without any market research questions

Card C ----- Card B with special language supplied by CPSC

Card D ----- Card A with prepaid postage

According to Toro, the return test results as of June 30, 2001 are as follows:

	Model 51587	Model 51586
Card A	7.8%	4.9%
Card B	10.1%	7.1%
Card C	9.3%	4.9%
Card D	7.5%	4.1%

Toro states that "[t]he clear lesson is that taking the market research off the card increases the return rate." It also notes that returns on Card D are counterintuitive and so it is conducting a further evaluation to be completed next spring. Toro will run a test comparing Card B with a

new card E which will be Card B with prepaid postage. A copy of Toro's email letter with its information is at Attachment B.

Mattel inserted the card agreed to with CPSC staff with a Power Wheels vehicle. Mattel sent out 5000 cards. It achieved a 30% (1,494) registration rate(1,494 cards) – 27% (1,338) through returned cards, 3% (154) through call-in registration and less than 1% (2) through email registrations. A copy of Mattel's email letter to Alan Schoem with this information is Attachment C.

While the results of the pilot program conducted by Mattel and Toro are interesting they do not necessarily reflect the results the Commission could expect if it requires owner cards to accompany certain products. The cards did not include the Commission's logo and did not specify the information would be used only in the event of a recall. Further, when a firm introduces a new product, typically it markets and promotes the product. If the Commission were to require owner cards to accompany certain products, presumably the Commission would promote the use of the cards likely increasing their use.

Electronic Data Bases

On August 1, 2001, CPSC hosted a meeting with various consumer, industry and government groups to discuss the concept of using electronic data bases to identify purchasers of recalled products. Specifically, the committee is exploring how recalling firms could notify consumers who use credit cards to purchase a recalled product of a recall of that product. A representative from Williams-Sonoma, a firm that has used credit card information to notify its customers of a recall, agreed to head a committee to explore electronic data bases. This committee, comprised primarily of various industry and consumer representatives has met by conference call several times.

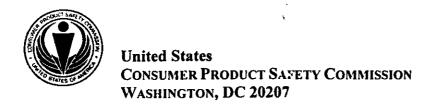
The committee is continuing to explore legal issues related to using credit card information to notify consumers of recall. We anticipate receiving a preliminary report in mid October but expect this to be an ongoing process..

In our view, publishing an ANPR to obtain comment on requiring the use of owner cards with certain products is not dependent on the outcome of exploring the use of electronic data bases to enhance recalls. Any conceivable electronic database option could not substitute for a card system, since many purchases don't involve credit cards, the credit databases may not be accessible for many types of purchases, and many retailers will likely choose not to participate in any program to tap credit databases. The electronic database project is in the exploratory stage and there are many hurdles to overcome. The best result we may obtain would be a model some companies could imitate.

Conclusion

The Office of Compliance continues to recommend that the Commission publish an ANPR seeking comment on requiring the use of product owner cards with certain products to increase the effectiveness of recalls.

Attachment A



Memorandum

Date:

October 11, 2001

TO

The Commission

THROUGH

Todd Stevenson, Acting Secretar

Michael Solender, General Counsel

Caroline Croft, Executive Director

FROM

: Alan H. Schoem, Assistant Executive Director, EXC AHA

Marc J. Schoem, Director

Recalls and Compliance Division, EXO

SUBJECT: Comments on petition CP 01-01 for product registration cards

A. Introduction

This memorandum discusses comments received in response to a petition from the Consumer Federation of America ("CFA") requesting that the Commission issue a rule that would require product registration cards for every product intended for children. The Commission received 28 comments. Twenty-one of these comments expressed opposition (including two comments that opposed requiring product registration for their specific industry, but did not specify a position on the petition). Eight comments supported the petition (including one comment that expressed support for the petition, but wanted a particular industry excluded from coverage). Nine comments were variations on a form from members of the apparel and footwear industry. The primary issues the comments raised are (1) the appropriate scope of such a rule; (2) legal authority for such a rule; (3) costs of such a rule; (4) benefits that may result from such a rule; and (5) specific aspects of the petition. These issues are discussed below.

B. Discussion

1. Scope

Several commenters, including the National Federation of Retailers ("NRF"), the National Association of Chain Drug Stores ("NACDS") and the International Mass Retail Association ("IMRA"), expressed concern with the difficulty of determining which products are "intended for children." Other commenters were concerned about application of the petition to their particular products. Comments from the apparel and footwear industry noted that their products are rarely involved in recalls, already carry a number of hangtags and other labels, and due to the short life and low cost of most of these items, are unlikely to have a high return rate

for registration cards. The Writing Instrument Manufacturers Association ("WIMA") commented that writing instruments are not toys, and should not be included in any regulation requiring product registration cards. The National Council of Chain Restaurants ("NCCR") stated opposition to the petition and asked that if the Commission does proceed with a product registration proposal, that it consider excluding low priced items and promotional giveaways. The Art and Creative Materials Institute, Inc. ("ACMI") asked that the Commission better define the scope of products that might be covered and exclude art and craft materials because most are inexpensive, have a short expected usage, and are already covered by the Labeling of Hazardous Art Materials Act ("LHAMA") and ASTM D 4236. Consumers Union asked that the Commission consider in the future expanding a product registration card requirement to consumer products used by adults as well. The Consumer Specialty Products Association ("CSPA") asked that the scope be limited to "juvenile products such as furniture and pacifiers," not all products intended for children.

The staff is asking the Commission to take preliminary steps to explore requiring a product registration system for some consumer products. CFA's petition asked for a rule requiring registration cards for "products intended for children." The staff's briefing package and draft advance notice of proposed rulemaking ("ANPR") suggest that the Commission consider the categories of juvenile products and counter-top appliances. The appropriate scope of any product registration card requirement is an issue the Commission would likely want to get further comments on and could consider as it explores the possibility of a product registration requirement.

2. Legal Authority

Several comments discussed the Commission's legal authority to issue the kind of rule requested by the CFA petition. These comments are addressed in a separate memorandum from the Office of the General Counsel.

3. Costs

Numerous commenters were concerned about the possible costs of requiring product registration cards for products intended for children. This concern was expressed by the apparel and footwear industry, TIA, the NCCR, the National Association of Manufacturers "NAM"), LEGO Systems, Inc., NACDS, NRF and IMRA. Some simply commented generally that costs could be high. Others were more specific. TIA stated that "the annual costs alone for the 3.365 billion individual toys sold would be over \$1.8 billion." AAFA stated that the Commission's draft ANPR significantly underestimated costs, and estimates that it would cost each manufacturer at least \$20,000 per year to maintain the required database. NCCR states that "the total cost of compliance to all manufacturers, distributors, retailers or importers of products intended for children would be in the hundreds of millions of dollars, annually." Some comments from individual companies also provide cost estimates. No commenters provided data to support their costs estimates.

In the draft ANPR, the staff discussed some estimates of possible costs. Costs, would of course, vary depending on the scope and specifics of any actual program the Commission were to initiate. The issue of costs is certainly one the Commission would explore further if it were to proceed toward developing a rule requiring product registration cards.

4. Benefits

Numerous comments discussed the possible benefits of the product registration program advocated by the petition. In general, companies and trade associations stated their belief that benefits of the proposal would be limited, while consumer groups believe a registration program would improve recall effectiveness. Those discussing the limitation of benefits noted that affirmative action by the consumer would be necessary; people in this country tend to move frequently; consumers may ignore recalls of inexpensive items even with registration cards; children's products have a limited useful life and the consumer may not still be using the product when it is recalled; a registration card program could diminish the effectiveness of existing means for notifying consumers of recalls; items particularly for children are often purchased as gifts or secondhand. They state that most recalls are handled quite effectively now. As noted above, many commenters argue that registration cards would not be effective in their particular industry.

Those in favor of the petition argue that direct notification to consumers that a product has been recalled means more people will be aware of the recall and therefore more people will respond to the recall. They note that it is difficult for consumers to keep track of recalls and determine whether the recall applies to the particular products they own. Notification concerning children's products is particularly important, they argue, because of the long use period of many of these products. They note that consumers do not fill out existing marketing or warranty cards because of the lengthy and intrusive questions they ask, but consumers would be more likely to complete and return cards that will be used to alert consumers to safety issues.

The staff agrees with the commenters that registering products so that the purchaser can be contacted in the event of a recall is likely to improve recall effectiveness. The staff notes that this would be an additional means to convey recall information and should not diminish the effectiveness of current methods. Although some products intended for children may be inexpensive and have a short useful life (e.g., some toys, giveaway items) others are not (e.g. furniture, some ride-on toys). The question of which products would render the most benefits under a registration card program should be addressed as the Commission considers the appropriate scope of such a program, but it does not invalidate the concept of such a program.

5. Specifics of the Petition

Several comments discussed the specifics of the program proposed by the petitioner. Numerous commenters objected to the petitioner's request that the manufacturer retain cards on file for 20 years or the life of the product, whichever is longer. They noted that this would impose a costly record keeping burden, that the information would not retain its accuracy with our mobile society, and that it is often difficult to determine the useful life of a product. As discussed above, some commenters discussed the limitations they believe would result from a

registration program directed toward products intended for children. NRF commented that the petition's proposal to require reporting of return rates of the registration cards would be burdensome.

The staff is recommending that the Commission take preliminary steps toward developing a program requiring registration cards for some consumer products. The Commission would have the opportunity to consider specific comments on specific aspects of such a program in the course of a rulemaking. The staff does not agree with all aspects of the program suggested in the petition. For example, the staff's draft ANPR suggests a six-year retention period for registration card information.

C. Conclusion

We have recommended that the Commission issue an ANPR to begin a rulemaking process that would require manufacturers to provide product owner cards with certain consumer products. A petition from CFA requested that the Commission initiate rulemaking to require product registration cards for products intended for children. Comments on the petition discuss some general issues concerning product registration, as well as issues specific to the petition. Should the Commission decide to issue the ANPR and develop a product registration program, it could explore many of the issues raised in the comments as it proceeds with developing the program.

List of Abbreviations

American Apparel and Footwear Association ("AAFA")
Art and Craft Materials Institute, Inc. ("ACMI")
Consumer Federation of America ("CFA")
International Mass Retail Association ("IMRA")
National Association of Chain Drug Stores ("NACDS")
National Association of Manufacturers ("NAM")
National Council of Chain Restaurants ("NCCR")
National Federation of Retailers ("NRF")
Toy Industry Association ("TIA")
Writing Instrument Manufacturers Association ("WIMA")

Attachment B

Schoem, Alan H.

From: Sent:

Schoem, Marc J.

To: Subject:

Tuesday, October 02, 2001 9:07 AM Schoem, Alan H.; Solender, Michael S. FW: Registration Pilot Program

----Original Message----

From: Joe Newberg [mailto:Joe.Newberg@toro.com]

Sent: Monday, October 01, 2001 4:28 PM

To: WSanders@cpsc.gov Cc: MSchoem@cpsc.gov

Subject: Registration Pilot Program

Dear Walt,

We completed a second analysis of the returns/results in our pilot program. Results were tabulated with returns as of June 30, 2001. The model 51587 was produced in July-August of 2000 and have a sales history of nearly a year whereas the 51586 was produced through November of 2000, so has only a 7-9 month sales history as of the end of June. Our heavy selling seasons for these products are fall and spring.

The cards used in the test are as follows:

Card A....Standard card with market research questions; customer pays the postage.

Card B....Card A without any market research questions.

Card C....Card B with special language supplied by the CPSC.

Card D....Card A with prepaid postage.

The return test results as of June 30, 2001 are as follows:

	Model 51587	Model 51586
Card A	7.8%	4.9%
Card B	10.1%	7.1%
Card C	9.3%	4.9%
Card D	7.5%	4.1%

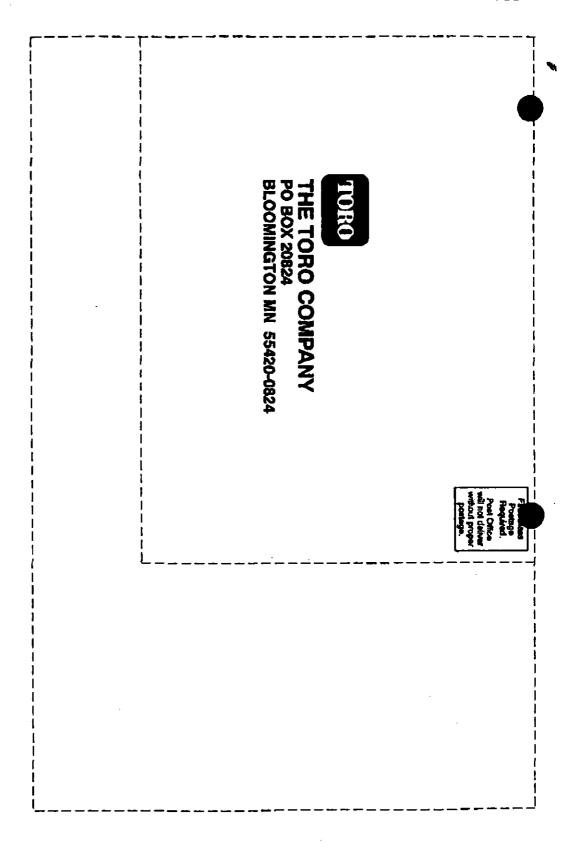
Over the production runs for both models, Card A was produced first, etc., so we would expect Card A to have a slightly higher return rate than Card B and so on. This effect will diminish over time. The clear lesson is that taking the market research off the card increases the return rate. The returns of Card D, on the other hand, seem counterintuitive, and we felt a further test was in order. We are are running Card B in a second trial against a new Card E which is Card B with prepaid postage. We will not have good data on this test until next spring.

If you have any questions, please let me know.

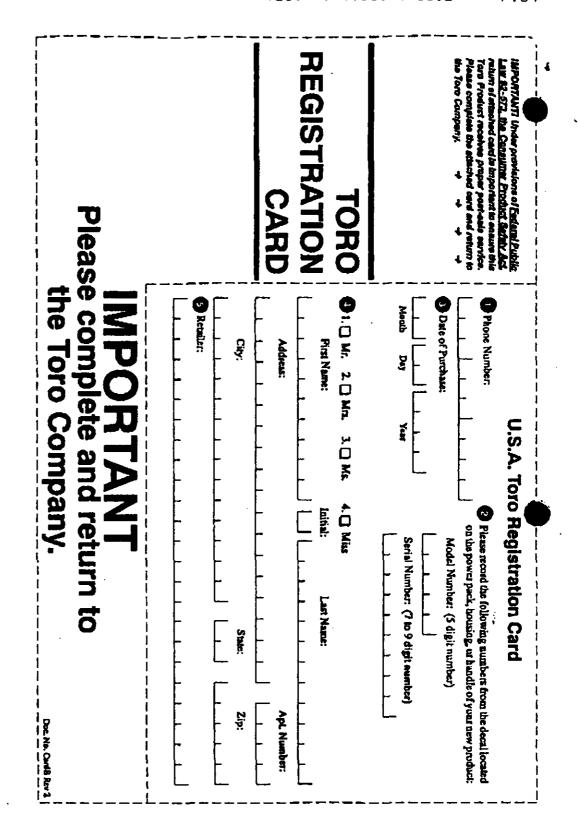
Joe Newberg

Pleas	IMPORTANT Under previous of Endard Bublic Law 22-72. The Construence Product States Act means of States Act means of States Act means of States Act in the Town Product receives proper post rate and service. Please complete are almosted and return to the Town Company. TORO REGISTRATION CARD
IMPORTAN e complete and the Toro Compa	U.S.A. Toro Registration Card Phone Number: Prove reset the following numbers from the detail is noted on the power peak, bouning, or bandle of your new product; Model Number: (5 dight number) Month Day Year Serial Number: (7 to 9 dight number) 1. Mr. 2. Mrs. 3. Ms. 4. Miles 1. Married 2. Single Pirst Name: Address: Apt. Number: City: State: Zip: Prove chart the three (9) must impured someons influencing year pursues of this Titre product.
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Doc. No. Code	Server primary esidence, for year: S. Protected a PC or PC nothward Divert: Di

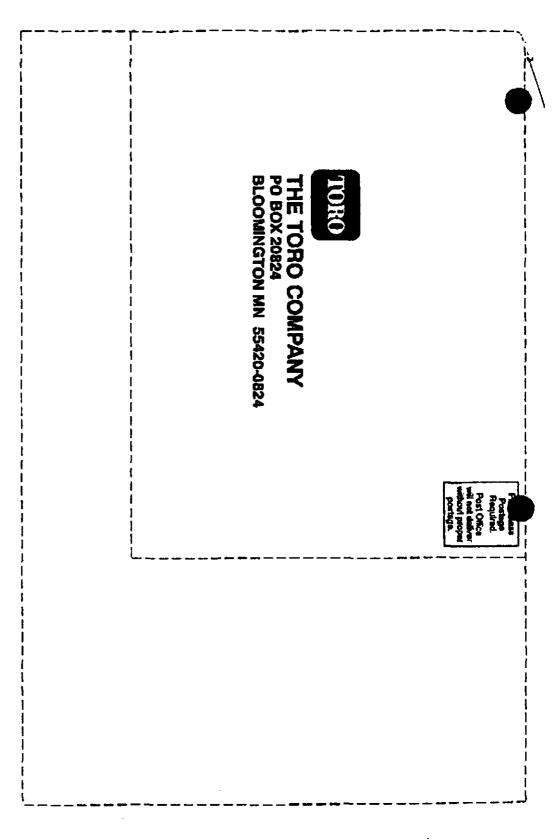
Card A- Front



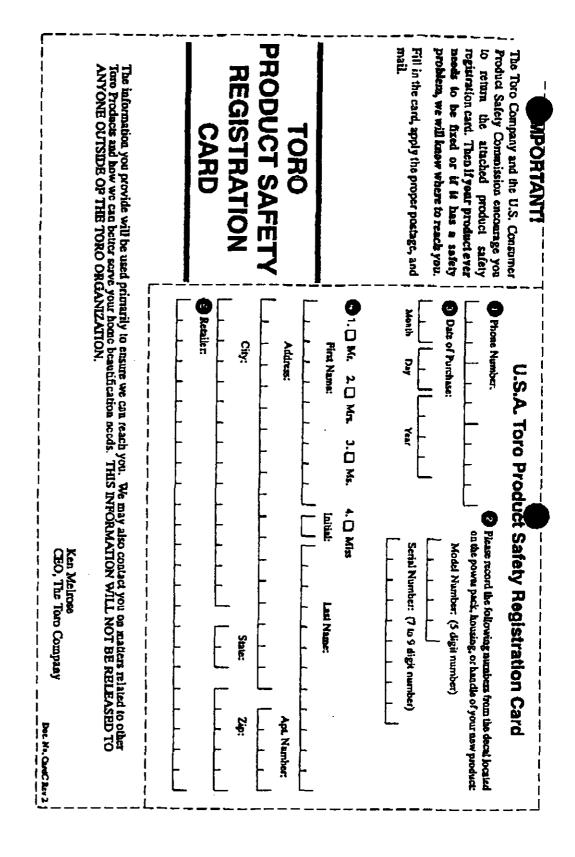
Card A-Back



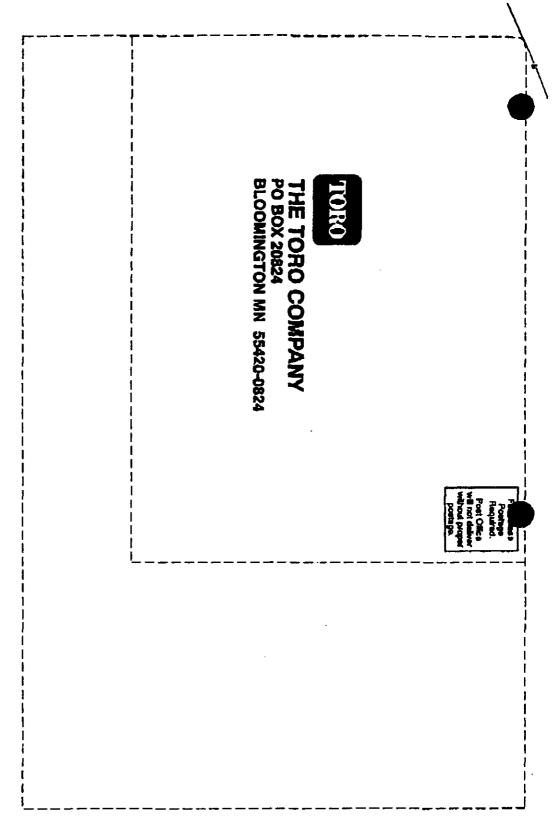
Card B- Front



Card B- Back



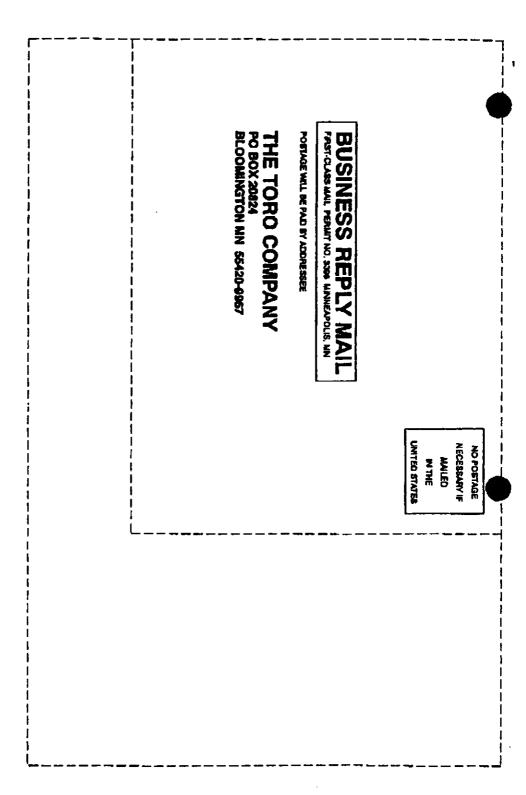
Card C- Front



Card C-Back

Pleas	IMPORTANTI Under provisions of Enderal Bubble Law #-572 the Cansumer Product Salety Act is return of attached card in Important to answer this from Product metalwa proper positions are and return to the fore Campany: TORO REGISTRATION CARD
IMPORTANT e complete and ret the Toro Company.	U.S.A. Toro Registration Card Phono November: Phono November: Phono November: Primar recent as fallered generated from the good behand on the prover pack, bounds, or leaded of your temperature: Model Number: (7 to 9 digit number) Menuls Doy Your Scriet Number: (7 to 9 digit number) Menuls Doy Your Scriet Number: (7 to 9 digit number) Apt. Number: City: State: City: Primar check the flore (3) most important regress influencing prove particless of this Theu parabote: 1. Quality/Sunahity 5. Venue for Prior 2. Then Requestive 6. Priore 3. Base of Operation 7. Sanapament's Remaining-adultes 11. Adverticement;
turn to	4. Special Finances

Card O-Front



Card D-Back

Attachment C

Flag Stationery Page 1 of 1

Schoem, Alan H.

From: Walter, Jim [WALTERJI@Mattel.com]

Sent: Wednesday, October 10, 2001 11:58

To: 'Schoem, Alan (CPSC)'

Cc: 'Sanders, Walter A. (CPSC)'

Subject: Registration Card Program

Alan:

I recieved the following information concerning the registration card program that we participated in along with Whirlpool and Toro:

• Number of cards sent out: 5,000

• Number of cards returned via mail: 1,338 (27%)

• Number of call-in registrations: 154 (3%)

• Number of email registrations: 2 (1%)

• Total registrations 1494 (30%)

These numbers are a bit higher than I had previously reported to Walt. Apparently, there were additional cards returned that were unaccounted for previously.

I am also included a product image and registration card image (below) for your reference. Please let me know if I can be of further assistance.

Regards,

Jim

Phone: 310-252-2585 Fax: 310-252-2640

Email: jim.walter@mattel.com

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ID.	00003	6444-

POWER WHEELS REGISTRATION

In the event we have to contact you, we will need your name and address.

This information is confidential and for the use of Power Wheels by Fisher-Price only.

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